

**Department of Agriculture**

**June 2004**

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STATE OF TENNESSEE  
**COMPTROLLER OF THE TREASURY**  
State Capitol  
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**John G. Morgan**  
Comptroller

June 3, 2004

The Honorable Phil Bredesen, Governor  
and

Members of the General Assembly  
State Capitol  
Nashville, Tennessee 37243  
and

The Honorable Ken Givens, Commissioner  
Department of Agriculture  
Ellington Agricultural Center  
Nashville, Tennessee 37204

Ladies and Gentlemen:

Transmitted herewith is the financial and compliance audit of the Department of Agriculture for the period July 1, 2000, through February 29, 2004.

The review of internal control and compliance with laws, regulations, and provisions of contracts or grant agreements resulted in certain findings which are detailed in the Objectives, Methodologies, and Conclusions section of this report.

Sincerely,

John G. Morgan  
Comptroller of the Treasury

JGM/mb  
04/038



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COMPTROLLER OF THE TREASURY  
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March 11, 2004

The Honorable John G. Morgan  
Comptroller of the Treasury  
State Capitol  
Nashville, Tennessee 37243

Dear Mr. Morgan:

We have conducted a financial and compliance audit of selected programs and activities of the Department of Agriculture for the period July 1, 2000, through February 29, 2004.

We conducted our audit in accordance with *Government Auditing Standards*, issued by the Comptroller General of the United States. These standards require that we obtain an understanding of internal control significant to the audit objectives and that we design the audit to provide reasonable assurance of the Department of Agriculture's compliance with laws, regulations, and provisions of contracts or grant agreements significant to the audit objectives. Management of the Department of Agriculture is responsible for establishing and maintaining effective internal control and for complying with applicable laws, regulations, and provisions of contracts and grant agreements.

Our audit disclosed certain findings which are detailed in the Objectives, Methodologies, and Conclusions section of this report. The department's administration has responded to the audit findings; we have included the responses following each finding. We will follow up the audit to examine the application of the procedures instituted because of the audit findings.

We have reported other less significant matters involving the department's internal control and/or instances of noncompliance to the Department of Agriculture's management in a separate letter.

Sincerely,

Arthur A. Hayes, Jr., CPA,  
Director

AAH/mb

State of Tennessee

# Audit Highlights

Comptroller of the Treasury

Division of State Audit

Financial and Compliance Audit  
**Department of Agriculture**  
June 2004

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## AUDIT SCOPE

We have audited the Department of Agriculture for the period July 1, 2000, through February 29, 2004. Our audit scope included a review of internal control and compliance with laws, regulations, and provisions of contracts or grant agreements in the areas of cash receipts, expenditures, equipment, plant certification, food and dairy, animal health, pesticides, Department of Finance and Administration Policy 16—*Employee Housing and Meals*, and the Financial Integrity Act. The audit was conducted in accordance with *Government Auditing Standards*, issued by the Comptroller General of the United States.

## AUDIT FINDINGS

### **Controls Over Cash Receipting and Licensing Need Improvement\***

The department's controls over the cash receipting and licensing procedures in the Animal Health, Pesticides, Food and Dairy, and Plant Certification divisions need improvement.

\*This finding is repeated from the prior audit.

### **The Department Did Not Fully Comply With State Policy on Providing Housing to Employees**

The department has employees working at state forests, work centers, and fire towers around the state who live in state-owned housing. However, the department has not fully complied with F&A Policy 16.

# Financial and Compliance Audit

## Department of Agriculture

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# **Financial and Compliance Audit**

## **Department of Agriculture**

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### **INTRODUCTION**

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#### **POST-AUDIT AUTHORITY**

This is the report on the financial and compliance audit of the Department of Agriculture. The audit was conducted pursuant to Section 4-3-304, *Tennessee Code Annotated*, which requires the Department of Audit to “perform currently a post-audit of all accounts and other financial records of the state government, and of any department, institution, office, or agency thereof in accordance with generally accepted auditing standards and in accordance with such procedures as may be established by the comptroller.”

Section 8-4-109, *Tennessee Code Annotated*, authorizes the Comptroller of the Treasury to audit any books and records of any governmental entity that handles public funds when the Comptroller considers an audit to be necessary or appropriate.

#### **BACKGROUND**

The Department of Agriculture’s mission is to improve the livelihood of farmers, forestland owners, consumers, and the state’s agri-industries through sustaining our natural resources, enforcing clear and effective regulations, and maximizing economic opportunities. The department has the following powers and responsibilities:

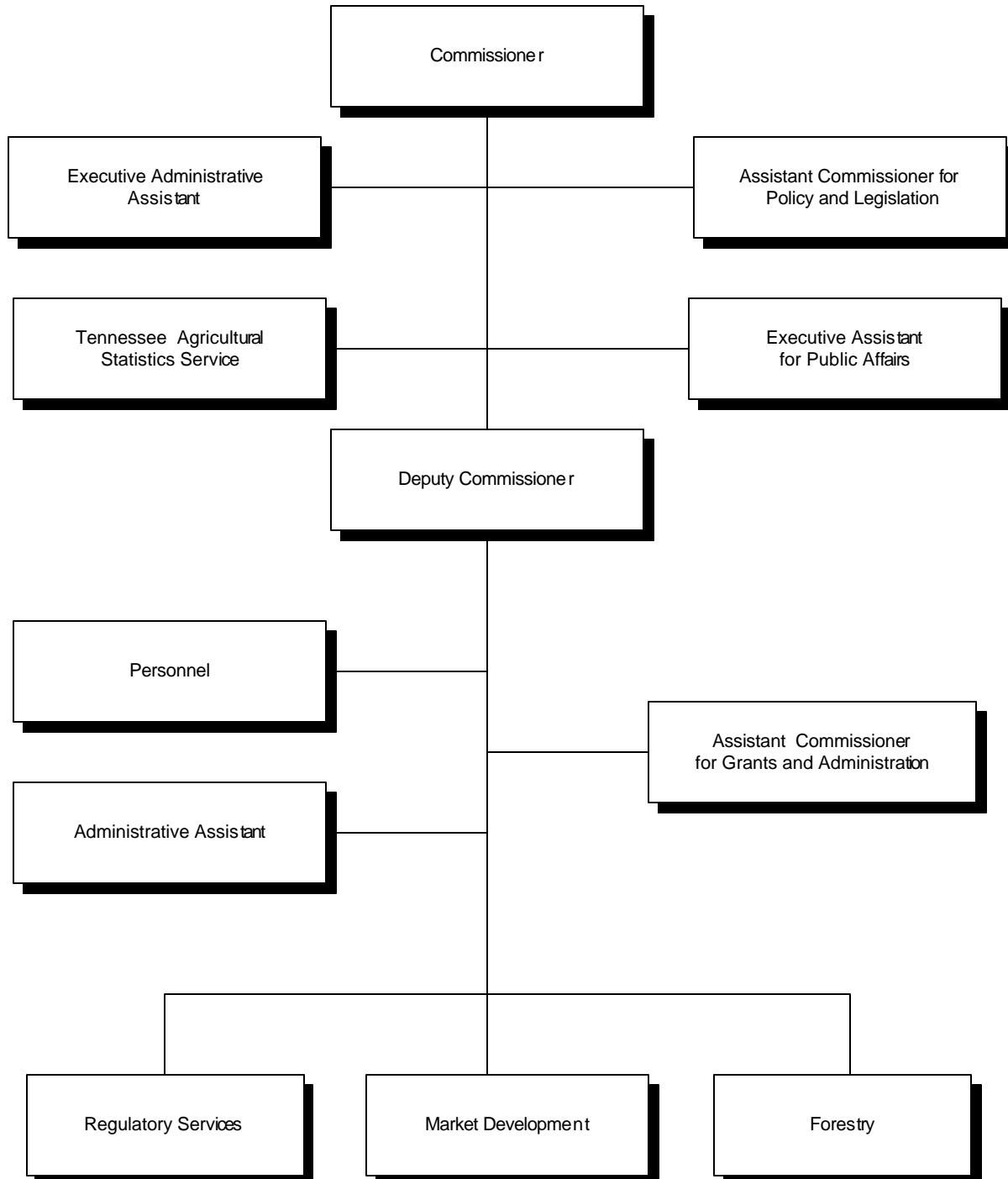
1. to encourage and promote the interests of agriculture, including forestry horticulture, the livestock industry, the dairy industry, poultry raising, beekeeping, wool production, and other allied industries;
2. to collect, publish, and distribute statistics relating to crop production and marketing and to the production and marketing of beef, pork, poultry, and other agricultural products;
3. to inquire into the cause of contagious, infectious, and communicable disease among domestic animals and to seek prevention and cure of disease;
4. to assist, encourage, and promote the organization of farmers’ institutes and agricultural societies and the holding of fairs, stock shows, or other exhibits of agricultural products;
5. to cooperate with the University of Tennessee Agricultural Extension Service and the United States Department of Agriculture;

6. to inspect any place where fruits are grown or stored, to inspect any plant life for pests or diseases, and to strive toward eradication of these pests or diseases;
7. to assist the Soil Conservation Districts and the State Soil Conservation Committee in discharging duties described in the Soil Conservation District Act of 1939;
8. to support the proper management and development of forest resources in Tennessee for public and private benefit through programs of forest protection, landowner assistance, and reforestation;
9. to inspect and regulate retail food stores, food service establishments, food manufacturers, food warehouses, food distributors, and dairy farms and plants;
10. to perform custom slaughterhouse inspections, hazardous substance inspections, and egg shell inspections;
11. to ensure compliance with regulations for nutritional labeling, hazardous substance labeling, consumer product safety, bottled water, and the enforcement of state tobacco laws regarding sales to minors;
12. to regulate motor fuels sold within the state for quality and correct octane levels;
13. to license certified public weighers and weighmasters and to inspect scales used across the state;
14. to register pesticide products and regulate their sale and use for both agricultural and structural purposes and to regulate pest control businesses and dealers in the storage, handling, and application of pesticides;
15. to plan and maintain vigilance for and ensure appropriate responses to potential and actual agroterrorism and to coordinate activities with the state Office of Homeland Security and other state and federal agencies;
16. to support the activities and policies of the Tennessee Tobacco Farmers Certifying Board in administering the allocation of funds from the National Tobacco Growers Settlement Trust (Phase II); and
17. to increase farm income in the state through the domestic and international marketing and promotion of Tennessee grown and processed agricultural products and services and through the recruitment and development of agri-industries that create jobs and markets for farm products.

An organization chart of the department is on the following page.



# Tennessee Department of Agriculture Organization Chart



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## AUDIT SCOPE

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We have audited the Department of Agriculture for the period July 1, 2000, through February 29, 2004. Our audit scope included a review of internal control and compliance with laws, regulations, and provisions of contracts or grant agreements in the areas of cash receipts, expenditures, equipment, plant certification, food and dairy, animal health, pesticides, Department of Finance and Administration Policy 16—*Employee Housing and Meals*, and the Financial Integrity Act. The audit was conducted in accordance with *Government Auditing Standards*, issued by the Comptroller General of the United States.

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## PRIOR AUDIT FINDINGS

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Section 8-4-109, *Tennessee Code Annotated*, requires that each state department, agency, or institution report to the Comptroller of the Treasury the action taken to implement the recommendations in the prior audit report. The Department of Agriculture filed its report with the Department of Audit on February 5, 2002. A follow-up of all prior audit findings was conducted as part of the current audit.

### RESOLVED AUDIT FINDING

The current audit disclosed that the Department of Agriculture has substantially corrected the previous audit finding concerning the Division of Plant Certification not enforcing departmental rules; therefore, the finding was not repeated.

### REPEATED AUDIT FINDING

The prior audit report also contained a finding concerning controls over cash receipting and licensing needing improvement. This finding has not been resolved and is repeated in the applicable section of this report.

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## OBJECTIVES, METHODOLOGIES, AND CONCLUSIONS

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### CASH RECEIPTS

Our objectives in reviewing the department's internal controls over cash receipts were to determine whether

- the procedures for assessing and collecting fees were adequate;
- cash receipts were properly accounted for and deposited timely;
- reconciliations between licenses, certificates, or registrations issued and revenue received and deposited were performed; and
- proper receipting procedures, including mail logs, written receipts, and proper segregation of duties, were in place.

We interviewed key department personnel in the Animal Health, Pesticides, Plant Certification, and Food and Dairy divisions to gain an understanding of the department's controls and procedures over cash receipts. We also tested samples of cash receipts in each of these sections to determine if the proper fees were assessed and collected, and if the receipts were properly accounted for and deposited timely.

Based on interviews and review of controls, we found weaknesses in the department's controls and procedures over the cash receipting process. In addition, the department did not perform proper reconciliations between licenses, certificates, or registrations issued and the revenue received and deposited. These weaknesses are discussed in finding 1. Based on our sample testwork, we determined that the procedures for assessing and collecting fees were adequate, and cash receipts were properly accounted for and deposited timely.

### **1. Controls over cash receipting and licensing need improvement**

#### **Finding**

The Department of Agriculture collects fees in its various divisions for issuing licenses, certifications, and registrations. As noted in the prior audit, the department's controls over the cash receipting procedures for these fee collections need improvement.

- a. The department has a central mailroom but does not open all of the mail in the mailroom. Mail is only opened in the mailroom if the responsible division cannot be determined. The

mailroom employees do not prepare a mail log or cash receipt listing for the cash receipts opened in the mailroom. Cash receipt listings, mail logs, and subsequent reconciliations serve as controls to prevent and detect misuse or loss of cash receipts.

- b. In the Animal Health, Plant Certification, and Pesticides divisions, a reconciliation between licenses, registrations, or certifications issued and revenue received and deposited is not performed. This reconciliation would serve as a control to ensure that the correct revenue was received and deposited for all licenses, registrations, and certifications issued.
- c. Administrative staff of the Animal Health division receive checks and issue the licenses before a listing is made of the cash receipts. Also, no listing of cash receipts is made by Plant Certification administrative staff. Because administrative staff have access to the checks before a listing is compiled, there is not adequate documentation to indicate loss or misuse of cash receipts.
- d. Plant Certification and Food and Dairy inspectors can collect funds for certificates and licenses issued while out in the field. The inspectors issue receipts for the monies collected in the field, but the receipts are not reconciled to the actual deposits or licenses and certificates issued. Without these reconciliations, the benefits of the control of writing receipts are compromised.
- e. In Animal Health, there is a lack of segregation of duties over the cash receipting process. The person that prepares the licenses has access to the checks before they are deposited. Also, the person that opens the mail also prepares the deposit slip.

Segregation of duties is essential to prevent and detect misuse of funds and to prevent the inappropriate issuance of licenses. Mail listings and reconciliations enhance safeguards over revenues received and aid in preventing possible misappropriation of funds.

Management concurred with the prior finding and stated that they planned to consolidate revenue collection and perform independent quarterly reconciliations of cash deposits, receipts, certificates, and licenses. However, these controls have not been implemented.

### **Recommendation**

The commissioner should assign specific responsibility to strengthen controls over cash receipts, ensure that all cash receipting and licensing duties are adequately segregated, and monitor compliance with these procedures. Management should consider centralizing its cash receipting function in the mailroom. Individuals independent of the licensing function should open the mail and prepare a mail listing to ensure that all revenues received are properly identified and accounted for. Someone independent of the licensing and receipting functions should periodically reconcile licenses issued with revenue collected to ensure that money collected for licenses is deposited.

## **Management's Comment**

We concur.

- a. The department is initiating the use of the Department of Revenue's Lockbox Program in order to collect renewal fees and to adequately meet the required separation of duties. Our retail food inspection and weights and measures programs will initiate this procedure with renewals for next fiscal year, which will begin in June 2004. Also, the department is utilizing the ability to receive payments via the Internet. This capability is currently installed in our pesticide program area and will expand to other areas in the future. Beginning July 1, 2004, our division mail staff will begin logging the funds when opened in the mailroom.
- b. Our Information Systems Staff has a license-to-revenue reconciliation system under development, and we expect this system to go into production within three to six months.
- c. The utilization of the Lockbox Program will solve most of the problems relative to the issuance of licenses or certifications prior to listing cash receipts.
- d. Receipts issued in the field by inspectors for collected funds will be reconciled on a monthly basis.
- e. Utilization of the Lockbox Program will resolve the issue of the lack of segregation of duties over the cash receipting process and the resulting issuance of a license prior to deposit of funds.

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## **EXPENDITURES**

Our objectives in reviewing expenditure controls and procedures were to determine whether

- expenditures for goods or services were adequately supported and recorded correctly;
- expenditures for goods or services were authorized and in accordance with applicable state and federal regulations or requirements;
- payments were made in a timely manner;
- payments for travel were made in accordance with the State of Tennessee Comprehensive Travel Regulations;
- contracts were made in accordance with regulations, and contract payments complied with contract terms and purchasing guidelines; and
- procurement card purchases were reasonable, adequately supported, and complied with purchasing policies and procedures.

We interviewed key department personnel to gain an understanding of the department's procedures and controls over expenditures. We reviewed supporting documentation and tested a nonstatistical sample of expenditure transactions to determine if they were adequately supported, correctly recorded, paid timely, and processed in accordance with the applicable rules and regulations. We also reviewed supporting documentation for selected procurement card purchases.

Based on our review of supporting documentation and our sample testwork, it appears that, with minor exceptions, expenditures were adequately supported, recorded correctly, authorized, and made in accordance with applicable regulations or requirements. Also, payments were made timely, and travel payments and contracts were made in accordance with rules and regulations. Procurement card purchases were reasonable, adequately supported, and complied with purchasing policies and procedures with minor exceptions.

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## **EQUIPMENT**

Our objectives in reviewing equipment controls and procedures were to determine whether

- the information on the department's equipment listed in the Property of the State of Tennessee (POST) system is accurate and complete;
- property and equipment are adequately safeguarded; and
- equipment purchased during the audit period was properly recorded in POST.

We interviewed key department personnel to gain an understanding of the department's procedures and controls over equipment. We reviewed supporting documentation and tested a nonstatistical sample of equipment items from the POST system. Equipment items were physically located, and description, tag number, serial number, and location were agreed to the POST listing. For items that were purchased during the audit period, the cost recorded in POST was traced to supporting documentation.

Based on interviews, review of supporting documentation, and testwork, it appears that, with some exceptions, the information in POST is accurate and complete; property and equipment were adequately safeguarded; and equipment purchased during the audit period was properly recorded in POST.

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## **PLANT CERTIFICATION**

Our objectives in reviewing the Division of Plant Certification were to determine whether

- the procedures for issuing certificates were adequate; and

- the department's monitoring procedures over plant dealers were adequate.

We interviewed key department personnel to gain an understanding of the department's rules, controls, and procedures for Plant Certification. We reviewed the department's rules and regulations over the Division of Plant Certification for adequacy of controls and procedures. We reviewed supporting documentation and tested nonstatistical samples of applications, inspections, and plant certifications for compliance with department rules and regulations. We also visited selected plant dealers to determine if the department's monitoring procedures were adequate and if proper certifications were on file.

Based on interviews, review of supporting documentation, and testwork, it appears that, with minor exceptions, the Division of Plant Certification's procedures for issuing certificates and monitoring plant dealers were adequate.

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## **FOOD AND DAIRY**

Our objectives in reviewing the Division of Food and Dairy were to determine whether

- the procedures for issuing permits were adequate;
- the procedures for preapproval of plans and specifications for construction or extensive remodeling of a retail food store or conversion of an existing structure to a retail food store were adequate;
- retail food stores and food service establishments were properly inspected every six months;
- the procedures for violation correction and follow-up inspections were adequate;
- the procedures for suspension and revocation of permits were adequate; and
- the department adequately monitored the contracts with Shelby, Davidson, and Knox Counties for inspection and enforcement.

We interviewed key department personnel to gain an understanding of the department's rules, controls, and procedures for Food and Dairy. We reviewed the department's rules and regulations over all Food and Dairy establishments for adequacy of controls and procedures. We reviewed supporting documentation and tested nonstatistical samples of retail food stores and food service establishments for valid permits, timely inspections, and applicable follow-up inspections. We also reviewed the contracts with the counties noted above for their inspection and enforcement.

Based on interviews; review of controls, procedures, and rules and regulations; and testwork, we determined that, with minor exceptions, the procedures for issuing permits were adequate; the procedures for preapproval of plans and specifications were adequate; retail food stores and food service establishments were properly inspected every six months; the procedures for violation correction and follow-up inspections were adequate; the procedures for suspension

and revocation of permits were adequate; and the department adequately monitored the contracts for inspection and enforcement.

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## **ANIMAL HEALTH**

Our objectives in reviewing the Division of Animal Health were to determine whether

- the procedures for registering brands, licensing livestock dealers, and licensing community sales were adequate;
- a community sale that was issued a license filed a \$10,000 or higher bond with the department; and
- there was adequate oversight of hatcheries.

We interviewed key department personnel to gain an understanding of the department's rules, controls, and procedures for Animal Health. We reviewed the department's rules and regulations over Animal Health for adequacy of controls and procedures. We reviewed supporting documentation and tested samples of brand registrations, livestock dealer licenses, community sale licenses, baby chick licenses, and hatchery inspections for compliance with department rules and regulations.

Based on interviews, review of supporting documentation, and testwork, it appears that the oversight of hatcheries was adequate and community sale licenses issued were filed with proper bonds. Also, it appears policies and procedures for registering brands, licensing livestock dealers, and licensing community sales were in accordance with applicable laws and regulations, and procedures have been implemented.

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## **PESTICIDES**

Our objectives in reviewing the Division of Pesticides were to determine whether

- pesticide registration procedures are adequate and whether registrations contained all the required information;
- the procedures regarding the licensing of persons dealing in restricted-use pesticides are adequate; and
- the procedures over the issuing of aerial application licenses to qualified and properly insured applicants are adequate.

We interviewed key department personnel to gain an understanding of the department's controls and procedures for Pesticides. We also reviewed the department's regulations regarding Pesticides. We reviewed supporting documentation and tested samples of pesticide registrations and dealer licenses for restricted-use pesticides.



Based on interviews, review of supporting documentation, and testwork, it appears that pesticide registration procedures are adequate and registrations contained all the required information; procedures regarding the licensing of persons dealing in restricted-use pesticides are adequate; and procedures over the issuing of aerial application licenses to qualified and properly insured applicants are adequate.

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## **DEPARTMENT OF FINANCE AND ADMINISTRATION POLICY 16-*EMPLOYEE HOUSING AND MEALS***

The Department of Agriculture has employees working at state forests, work centers, and fire towers around the state who are required to live nearby in order to be able to respond to emergencies. The department places these employees in state-owned housing.

On January 30, 1998, the Department of Finance and Administration (F&A) issued Policy 16, *Employee Housing and Meals*. This policy was issued to establish guidelines which ensure compliance with applicable state and federal laws, particularly Internal Revenue Code requirements, governing all housing and meals provided to all officials and employees and to provide a uniform policy addressing all state-owned housing.

Our objectives in reviewing compliance with Policy 16 were to determine whether

- the department had procedures in place which ensured that F&A Policy 16 was followed;
- the department's housing plan was submitted to F&A for approval and copies were filed with the Comptroller of the Treasury, Division of State Audit;
- the department's housing plan contained the information required by Policy 16;
- employees living in state-owned housing had completed the required forms and the forms had been filed with the Department of Personnel; and
- employees living in state-owned housing also received a housing allowance.

To accomplish these objectives, we reviewed the policy to gain an understanding of its requirements. We interviewed departmental personnel to gain an understanding of the procedures they used to ensure compliance with the requirements of this policy. We contacted F&A to determine if the department had submitted a housing plan for approval. We obtained and reviewed the department's housing plan. We tested a nonstatistical sample of employees living in state-owned housing to determine if the forms required by Policy 16 had been completed and filed with the Department of Personnel. We reviewed supplemental payrolls to determine if any employees living in state-owned housing also received a housing allowance.

Based on interviews, review of supporting documentation, and testwork, we concluded that none of the employees living in state-owned housing also received a housing allowance and that the

department's employees had completed all required forms. However, we found these weaknesses discussed in finding 2:

- the department has not developed any written procedures to ensure that F&A Policy 16 is followed;
- the department has not submitted a housing plan to F&A for approval or filed a copy with the Division of State Audit;
- the department's housing plan did not contain all the information required by Policy 16; and
- the required forms were not filed with the Department of Personnel.

## **2. The department did not fully comply with state policy on providing housing to employees**

### **Finding**

The Department of Agriculture has employees working at state forests, work centers, and fire towers around the state who are required to live nearby in order to be able to respond to emergencies. The department places these employees in state-owned housing.

On January 30, 1998, the Department of Finance and Administration (F&A) issued Policy 16, *Employee Housing and Meals*. This policy was issued to ensure compliance with state and federal laws governing all housing and meals provided to all officials and employees and to provide a uniform policy addressing all state-owned housing.

Paragraph 4 of the policy states, "All agencies and departments of the State that provide maintenance for State officials or employees shall submit a plan and develop procedures for the provision of employee maintenance in accordance with the Criteria established in this Statement." However, the department has not developed any written procedures to ensure that F&A Policy 16 is followed.

Paragraph 4 of the policy further states, "Departmental Housing Plans shall include employee name, social security number, location of housing, square footage of the dwelling, calculated monthly rent amount, justification for housing assignment, and if applicable, approved Employee Housing Disclosure Forms." However, the department's housing plan does not contain the employee's social security number, square footage of the dwelling, or justification for housing assignment.

Paragraph 16 of the policy states, "Departmental plans and procedures and subsequent revisions shall be submitted to the Commissioner of the Department of Finance and Administration for approval. Upon approval, copies shall be filed with the Comptroller of the Treasury, Division of State Audit." However, the Department of Agriculture has not submitted a

housing plan to the Department of Finance and Administration for approval or filed a copy with the Division of State Audit.

Paragraph 7 of the policy requires certain employees living in state-owned housing to complete an Employee Housing Disclosure form. This paragraph also requires a copy of the form to be filed with the Department of Personnel. The department's employees completed these forms; however, they were not filed with the Department of Personnel.

The department initially provided the auditors with a housing plan dated November 2002. After the auditors began reviewing this plan, management provided a plan dated January 2004. There were eight changes in occupancy between the two plans. Apparently, the department is not updating its plan timely.

If the department does not keep an accurate listing of the status of its employees and have it approved, the probability increases that errors and fraud could occur and go undetected. In addition, IRS regulations may not be followed because no justification is documented for the reasons employees are required to live in state-owned housing.

### **Recommendation**

The commissioner should assign specific responsibility for complying with Policy 16 and monitor compliance. Plans should be submitted to F&A for approval and filed with the Division of State Audit. Copies of Employee Housing Disclosure forms should be filed with the Department of Personnel. Management should ensure that the housing plan contains all required information and is updated timely.

### **Management's Comment**

We concur. The Commissioner has assigned responsibility for Policy 16 compliance to the Assistant Commissioner for Administration and Grants. The following procedures will be implemented:

- The State Forester has assigned responsibility for Forestry Division compliance with Policy 16 to the Assistant Forester for Operations.
- The Forestry Division is conducting a facilities study (to include employee housing) to determine operational needs in response to: 1) workforce reductions made during recent years, 2) increased use of aerial detection of wildfires, 3) reassessment of security needs, and 4) acquisition of more reliable fire units (dozers and transports), etc. The employee housing component of the study will be completed on or before August 31, 2004.
- Each District Forester will be provided a copy of Policy 16; the appropriate form(s) (Employee Housing Disclosure and/or Standard Rental Agreement) will be completed for

each employee remaining in state-owned housing and will be forwarded for appropriate signatures.

- The Assistant Commissioner for Administration and Grants will review the employee rental forms and will prepare the Departmental Housing Plan for submittal to the Commissioner of Finance and Administration for review and approval.
- Copies of the approved Departmental Housing Plan will be filed with the Comptroller of the Treasury, Division of State Audit, and the Department of Personnel; copies of the Employee Housing Disclosure forms will also be filed with the Department of Personnel. Internally, copies of the approved plan will be provided to the Assistant State Forester for Operations, the Fiscal Office, and the Personnel Office.
- Personnel actions affecting the Departmental Housing Plan will be reported through the Assistant State Forester for Operations to the Personnel Office and to the Fiscal Office. The Assistant Commissioner for Administration and Grants will file required revisions.

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## FINANCIAL INTEGRITY ACT

Section 9-18-104, *Tennessee Code Annotated*, requires the head of each executive agency to submit a letter acknowledging responsibility for maintaining the internal control system of the agency to the Commissioner of Finance and Administration and the Comptroller of the Treasury by June 30 each year. In addition, the head of each executive agency is required to conduct an evaluation of the agency's internal accounting and administrative control and submit a report by December 31, 1999, and December 31 of every fourth year thereafter.

Our objectives were to determine whether

- the department's June 30, 2003, 2002, and 2001, responsibility letters and December 31, 2003, internal accounting and administrative control report were filed in compliance with Section 9-18-104, *Tennessee Code Annotated*;
- documentation to support the department's evaluation of its internal accounting and administrative control was properly maintained;
- procedures used in compiling information for the internal accounting and administrative control report were in accordance with the guidelines prescribed under Section 9-18-103, *Tennessee Code Annotated*; and
- corrective actions have been implemented for weaknesses identified in the report.

We interviewed key employees responsible for compiling information for the internal accounting and administrative control report to gain an understanding of the department's procedures. We also reviewed the June 30, 2003; June 30, 2002; and June 30, 2001, responsibility letters and the December 31, 2003, internal accounting and administrative control

report to determine whether they had been properly submitted to the Comptroller of the Treasury and the Department of Finance and Administration.

We determined that the Financial Integrity Act responsibility letters and internal accounting and administrative control report were submitted on time, except for one letter that was submitted 16 days late; support for the internal accounting and administrative control report was properly maintained; and procedures used were in compliance with *Tennessee Code Annotated*. No weaknesses were identified in the report.

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## OBSERVATIONS AND COMMENTS

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### TITLE VI OF THE CIVIL RIGHTS ACT OF 1964

Section 4-21-901, *Tennessee Code Annotated*, requires each state governmental entity subject to the requirements of Title VI of the Civil Rights Act of 1964 to submit an annual Title VI compliance report and implementation plan to the Department of Audit by June 30 each year. The Department of Agriculture filed its 2001 and 2003 compliance reports and implementation plans on July 1, 2001, and August 25, 2003, respectively. The 2002 report was not received until February 12, 2004.

Title VI of the Civil Rights Act of 1964 is a federal law. The act requires all state agencies receiving federal money to develop and implement plans to ensure that no person shall, on the grounds of race, color, or origin, be excluded from participation in, be denied the benefits of, or be subjected to discrimination under any program or activity receiving federal funds. The Human Rights Commission is the coordinating state agency for the monitoring and enforcement of Title VI. A summary of the dates state agencies filed their annual Title VI compliance reports and implementation plans is presented in the special report *Submission of Title VI Implementation Plans*, issued annually by the Comptroller of the Treasury.

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## APPENDIX

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### ALLOTMENT CODES

325.01	Administration and Grants
325.04	Forestry Seasonal Payroll
325.05	Division of Regulatory Services
325.06	Marketing Development and Promotion
325.08	Agricultural Resources Conservation Fund
325.10	Forestry Operations
325.11	Forestry Facility Maintenance
325.12	Tennessee Grain Indemnity Fund
325.14	Certified Cotton Growers' Organization
325.16	Tennessee Agricultural Regulatory Fund